

Transitioning from Welfare to Work

When politicians, economists, policy analysts or the media talk about “welfare,” they are generally referring to the federal program known as Temporary Assistance for Needy Families (TANF). Before 1996, welfare was provided by the Aid to Families with Dependent Children program, which was supplanted by TANF when welfare reform was instituted through the passage of the Personal Responsibility and Work Opportunity Reconciliation Act. A central feature of this reform was the requirement that TANF recipients participate in activities designed to help them eventually transition into the labor force. However, many TANF recipients are considered “hard-to-employ” and the overall percentage of TANF recipients who successfully transition into employment is frustratingly low. The examination of data on TANF recipients reveals one particularly effective predictor of labor market success: future employment is highly dependent on prior involvement in the labor force.

To demonstrate the importance of prior attachment to the labor force, we examined the employment and earnings histories for 13,515 first-time TANF recipients who entered the program between 2003 and 2007. We divided these individuals into four groups based on the number of quarters they were employed in the two years prior to entering TANF. The groups are defined as those who were employed zero quarters, one to three quarters, four to six quarters and seven to eight quarters. We studied the employment and earnings of individuals in these four groups over three years after they entered TANF.

Figure 1 demonstrates the importance of work history. For those without formal employment in the two years prior to involvement in the program, only 33 percent were employed after entering TANF. The number of employed individuals increases by more than 10 percentage points for each higher level of prior employment. About 66 percent of those who worked seven or eight quarters before TANF were also employed after. Figure 2 shows a similar relationship between the average quarterly earnings of these same groups. Average quarterly wages for the group with the strongest prior labor market attachment were more than two times higher than the group with none.

TANF recipients often have difficulties entering the labor market due to poor health, lack of desirable skills, no access to transportation and the need to care for family members. For those who can work, the data suggest that the best way to improve the probability of future employment is to stay as actively engaged in the labor market as possible. ①



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Figure 1: Quarterly Employment Rate for TANF Recipients by Number of Quarters Employed Two Years Prior to TANF

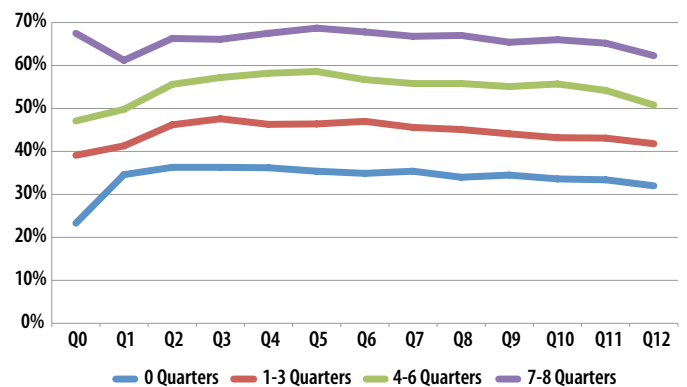
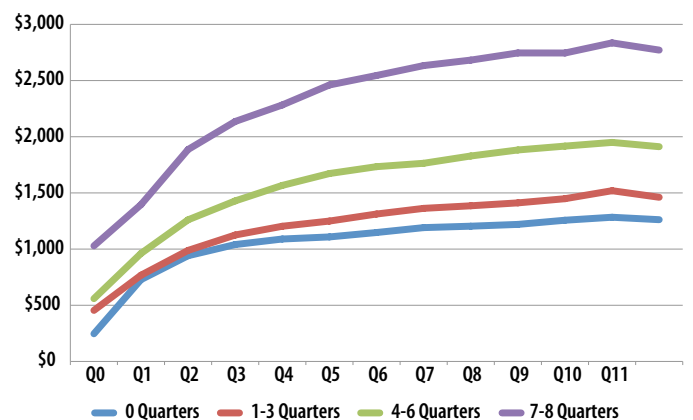


Figure 2: Average Quarterly Earnings for TANF Recipients by Number of Quarters Employed Two Years Prior to TANF



Source: Utah Department of Workforce Services.